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United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP
WASHINGTON, DC 20510-6350

October 4, 2005

VIA FACSIMILE ORIGINAL BY U.S. MAIL

The Honorable Hector V. Barreto
Administrator
U.S. Small Business Administration
409 Third Street, S.W.
Washington, DC 20416

Dear Hector:

The Small Business Administration's disaster loan program provides vital assistance to individuals and businesses affected by Hurricanes Katrina and Rita. As Chair of the Senate Committee on Small Business and Entrepreneurship, I intend to do whatever is necessary to ensure that the SBA can efficiently and effectively fulfill its responsibilities. I am writing to express my concern regarding the capacity of the SBA's computer and processing systems, and of the SBA's staffing levels, to handle the applications for disaster loans being made by victims of Hurricane Katrina and Hurricane Rita. As you would agree, we should not allow these issues to hinder the relief and rebuilding efforts. I am ready to provide the SBA any assistance possible to meet these challenges successfully.

Last Friday, in response to concerns about the reliability and capacity of the SBA's computer system, my staff met with SBA representatives to discuss the alleged problems with the SBA's Disaster Credit Management System and to learn about challenges faced by the Agency as it responds to the disasters.

I understand that thus far 56,819 applications have been received by the SBA, of which 450 have been approved. Of those received by the SBA, 30,000 were submitted just in the last week. It is my hope that the SBA will be able to process these applications in a very short period, and that applicants will learn the results of their application quickly enough to enable them to factor their SBA loan status into their plans as they rebuild their lives, their homes, and their businesses.

The businesses and homeowners victimized by Hurricanes Katrina and Rita must have their emergency loan applications processed as quickly as possible so they can begin rebuilding their lives and enterprises. While I understand the SBA is responding to one of the most catastrophic natural disasters in United States history, it is critical that we have highly trained personnel working at the disaster sites and the Fort Worth and other SBA processing centers to expedite the loan approval process. Factors that impede loan approvals must be addressed and eliminated as they arise.

To help achieve this, I have asked the Internal Revenue Service to locate personnel alongside small business field staff in the Gulf region and in the Fort Worth processing center so that tax documents required for approval are immediately accessible. With over 35,000 applications pending, this will help expedite SBA's loan processing for disaster victims.

The SBA has been providing the Committee with daily disaster program updates that detail the number of loan applications the agency has received, the number of loans that have been approved, and other vital information.

I request that you provide additional information in the daily updates by indicating the number of loans that have been funded. I understand that the number of loans that have been funded will be less than the number that have been approved because each applicant approved for a loan has the right to postpone the "closing" of his or her loan, and also may postpone the transfer of funds from the SBA to his or her account so as to delay the beginning of repayment obligations. Many approved applicants choose these postponements until they can make arrangements to begin the process of rebuilding or repairing their home or business.

I look forward to working with you to provide assistance to hurricane victims. If you have any questions or need any additional information, please do not hesitate to call me or have your staff contact Wes Coulam, Staff Director of the Small Business Committee, at (202) 224-5175.

Sincerely,



OLYMPIA J. SNOWE
Chair